

Message Text

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PAGE 01 NEW DE 13887 031831Z
ACTION NEA-10

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TO SECSTATE WASHDC 6448
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LIMITED OFFICIAL USE NEW DELHI 13887

E.O. 11652: N/A
TAGS: EINV, BGEN, IN
SUBJECT: COCA COLA PROBLEMS WITH GOI

REF: (A) NEW DELHI 12585; (B) NEW DELHI 12912

1. DURING COURSE OF HIS THIRD VISIT TO INDIA, COCA COLA
PRESIDENT FOR AFRICA AND INDIA, ANTHONY YOUNG, UPDATED COM-
MERCIAL COUNSELOR ON SEPTEMBER 30 CONCERNING LATEST DEVELOP-
MENTS IN COCA COLA CASE.

2. AS STATED IN REF A, YOUNG RETURNED TO COCA COLA HEAD
OFFICE IN ATLANTA TO PRESENT PLAN FOR CONTINUING COCAL COLA
ACTIVITY IN INDIA THROUGH PRODUCTION OF FANTA AND OTHER SOFT
DRINK FLAVORS, EVEN IF COCA COLA PRODUCTION WERE TO CEASE
AFTER "77 COLA" PHASED IN. YOUNG SAYS ATLANTA OFFICE HAS
DECIDED THAT CONDITIONS PLACED ON CONTINUED COCA COLA PRESENCE
IN INDIA ARE NOT REPEAT NOT ACCEPTABLE, PARTLY OUT OF CONSID-
ERATION FOR COCA COLA POSITION IN OTHER PARTS OF WORLD.
RATHER THAN GO TO GOI WITH AN OUTRIGHT REFUSAL, COMPANY HAS
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DECIDED FOR TACTICAL REASONS TO MAKE AN OFFER TO ESTABLISH
40 PERCENT COCAL COLA-OWNED COMPANY, BUT WITH THE ALMOST SURE
EXPECTATION THAT OFFER WILL BE TURNED DOWN, SINCE TERMS OF
PROPOSAL WOULD REQUIRED AN EXCEPTION TO FERA.

3. COCAL COLA NOW LOOKING TOWARD LIQUIDATING ITS INTERESTS
IN INDIA. IN THIS CONNECTION, ONE OF MAIN CONSIDERATIONS IS

STATUS OF 24 MILLION COCA COLA BOTTLES NOW IN INDIA. ALTHOUGH COCA COLA EXPORT COMPANY HAS CONTRACT WITH ABOUT HALF OF COCA COLA BOTTLING FIRMS HERE TO BUY BACK BOTTLES IN CASE OF CLOSE DOWN AT DEPOSIT CHARGE OF ABOUT ONE RUPEE EACH, COCA COLA LAWYERS HAVE CONCLUDED THAT FORCE MAJEUR CLAUSE IN CONTRACT RELIEVES COCA COLA OF THIS OBLIGATION. YOUNG HAS JUST INFORMED AGITATED REPRESENTATIVES OF BOTTLING FIRMS OF HIS COMPANY'S PLANS IN THIS RESPECT.

4. YOUNG ESTIMATES CLOSE-DOWN COSTS FOR COCA COLA IN INDIA AT ABOUT \$750,000, INCLUDING TERMINATION PAY FOR STAFF OF 70 AT CONCENTRATE PLANT. COCA COLA HAS ABOUT \$7 MILLION DEPOSITED IN INDIAN BANKS, REPRESENTING PROFITS WHICH GOI HAS REFUSED TO AUTHORIZE FIRM TO REMIT TO US BECAUSE OF COMPANY'S INABILITY TO MEET EXPORT REQUIREMENTS. YOUNG FORESEES A "LONG HARD SWEAT" TO GET ANY OF THIS MONEY OUT, OWING TO ANTICIPATED TAX SUITS BY GOI AND PROBABLE DAMAGE SUITS TO BE BROUGHT BY BOTTLERS OVER COMPANY'S DECISION NOT TO BUY UP COCA COLA BOTTLES ON MARKET.

5. YOUNG EXPRESSED DEEP REGRET OVER WAY SITUATION HAS WORKED OUT IN INDIA FOR COCA COLA. HE WILL SEEK APPOINTMENT WITH AMBASSADOR EARLY THIS WEEK TO PRESENT PAPER JUST DRAFTED BY COCA COLA LAWYERS DETAILING COMPANY'S POSITION WITH RESPECT TO ITS PROBLEMS WITH GOI. YOUNG NOTED AS HE DEPARTED THAT A NEW DIMENSION HAD BEEN ADDED TO THE SMUGGLING SCENE BETWEEN LIMITED OFFICIAL USE

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PAKISTAN AND INDIA WITH PAKISTANI COCA COLA EVIDENTLY NOW A NEW ITEM IN THIS TRADE.
GOHEEN

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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